December 2018 Newsletter & Important Information

A Message to our Valued Clients:

As 2018 comes to a close, we think about our clients, professional colleagues, friends, and family. We truly appreciate your business and we're grateful for the trust you have placed in us for over twenty years. We are privileged to have the opportunity to serve you and we look forward to continuing our relationship for years to come. Should you have any suggestions on how we can serve you better, please do not hesitate to drop us a note or give us a call. Our commitment to providing you the best service is our primary goal.

Meet our New Staff

Please join us in welcoming our new Team Members!

April Schaefer – April joined our team in June as a Participant Services Administrator with nearly 5 years of administrative experience.

Mikia Gray – Mikia joined our team in June as an Administrative Specialist with nearly 20 years of administrative and support experience.

Brad Stanley – Brad joined our team in September as a Plan Consultant with more than 10 years of experience in client relationships and account management.

Heather Lantagne – Heather joined our team in October as a Plan Consultant with more than 15 years of experience in the retirement plan administration industry.

Quick Links

Special Recognition

Please join us in recognizing our long-term Team Members!

Pat Nelson – Pat joined our team in 1998 with over 10 years of distribution experience. She celebrated her **20th** Anniversary as a Distribution Specialist with PASI this year!

Jack Hurley – Jack joined our team in 2008 with over 20 years of experience in the pension field. He celebrated his **10th** Anniversary as a Plan Consultant with PASI this year!

Effie Moutogiannis – Effie joined our team in 2008 with over 17 years of experience in the retirement plan industry. She celebrated her **10th** Anniversary as a Plan Consultant with PASI this year!

News and other Fun Stuff

Follow us on Social Media!

You can find PASI on Facebook, Instagram, LinkedIn and Twitter! You'll see some great 'Moving Day' photos and find some informational posts and articles!

Community

PASI is a proud member of the community we serve. We support a number of organizations throughout Connecticut each year, including Foodshare, The Bushnell Performing Arts Center, Mandell JCC's Jewish Film Festival, Farmington Food Pantry, Crohn's & Colitis Foundation and more!

Closings

PASI will be observing the following upcoming holidays:

Christmas Day – Tuesday, 12/25/18

New Year's Day – Tuesday, 1/1/19

Quick Links

2018 Year-End Compliance Checklist

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2019 Hardship Distribution Regulation Changes

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Check out our New Location!

We recently moved to a new location; right across the street!

Our new address is:

10 Talcott Notch Road, Suite 200

Farmington, CT 06032

Important Year-End Compliance Checklist

The “Year-End Compliance Checklist” that follows has been designed to help ensure that various time-sensitive matters related to your Plan are executed and/or addressed before December 31, 2018 (or shortly thereafter, as applicable). Please review this checklist carefully (even if your Plan Year-End does not correspond with the calendar year) and contact your PASI Plan Consultant with any questions you may have. ***You only need to return this checklist if necessary, as indicated on the checklist.***

Year-End Compliance Checklist

Please call us for assistance as necessary.

*Please note that we are NOT requesting that this checklist be returned to our office, except as follows: **If you identify any action items**, please fax or e-mail this checklist to your Plan Consultant and/or call with questions. Use the space provided at the bottom of the page for any notes.*

Completed By: ________________________________ Company: ________________________________

☐	Please verify that no one has, or will, exceed the 2018 maximum 401(k)/403(b) contributions of $18,500 (plus $6,000 of "age 50 catch-ups"). *This review is particularly critical if you changed payroll providers mid-year.* **Please let us know as soon as possible if there has been an excess contribution -** any excesses must be refunded no later than **April 15, 2019** to avoid *serious* tax consequences for the Participant, including *double taxation* on excess amounts.
☐	If your Plan permits participant loans and a participant terminated employment during 2018 with an outstanding loan, **please let us know as soon as possible** so we can ensure that the participant receives the applicable Form 1099 by the **January 31, 2019** due date.
☐	If you used any temporary employees during the year and subsequently hired those "temps" as regular full-time employees, you may need count their temporary service for plan purposes. **Please call us to discuss as needed.**
☐	If your business is taxed as either a partnership (e.g. your business files a *Form 1065* and you receive a K-1 rather than a W-2) or a Sole Proprietorship (e.g. you include a Schedule C with your 1040), the owners have the option to delay the funding of their own personal 2018 401(k) contributions through the due date of the 2018 business tax returns (including extensions, if any). However, an irrevocable election to this effect must be executed no later than **December 31, 2018**. A sample election can be provided by PASI upon request.
☐	Please ensure that you have distributed enrollment materials to any Participants who might become eligible on January 1, 2019 (and any other Plan Entry Date). These materials include: new Participant Fee Disclosures, Safe Harbor Notices (if applicable) and Summary Plan Descriptions.
☐	If anyone who is at least 70 years old retired at any time during the calendar year 2018, **please let us know as soon as possible**. They may be required to receive a minimum distribution by **April 1, 2019** *if* they had an account balance.
☐	Please ensure that any owners and/or employees who intend to contribute the maximum for the calendar year 2018 have deferred the full $18,500 (plus $6,000 in "age 50 catch-ups") before **December 31, 2018**. Additionally, for calendar 2019, those same owners and/or employees should adjust their contribution levels as needed to ensure that the full $19,000 (plus $6,000 in "age 50 catch-ups") is deferred before the end of next year.

Notes:

10 Talcott Notch Rd, Suite 200 ♦ Farmington, CT ♦ 06032 ♦ (860) 284-6880 ♦ Toll Free (877) 313-5470 ♦ Fax (860) 284-6887

Qualified Plan Limits

Cost Of Living Adjustments

We are pleased to announce the 2019 limits that are most relevant to Qualified Retirement Plans:

	2019	2018
Defined Contribution Limits		
401(k)/403(b) Contribution Limit	$ 19,000	$ 18,500
Total Plan Contributions Limit (all sources)	56,000	55,000
SIMPLE IRA/401(k) Contribution Limit	13,000	12,500
SIMPLE IRA/401(k) Catch-Up Limit	3,000	3,000
Compensation Limits		
Maximum Compensation - Plan Purposes	$ 280,000	$ 275,000
HCE Compensation Test Threshold	125,000	120,000
Social Security Taxable Wage Base	132,900	128,400

If you have any questions regarding how these new limits will affect your plan, please do not hesitate to contact us.

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PASI

2019 Hardship Distribution Regulation Changes

As many of you have already heard, there are new changes to the rules governing hardship distributions that become effective throughout 2019. Overall, these changes increase the availability of hardship distributions and simplify their administration. In general, these rules become effective on the first day of the Plan year beginning on or after **January 1, 2019**.

A Note on Transition Periods

If your Plan's investments are held by a recordkeeper*, then the process of implementing these new rules will vary depending upon decisions made by your recordkeeper. These changes will necessarily require re-programming of computer systems, which can be an enormous undertaking. How quickly that process will be completed will vary from provider to provider. Thus, the effective date of the new rules might be January 1, 2019 for your Plan, but because of delays in re-programming systems, the actual availability date might be April 1, 2019. Some providers have already sent communications regarding this transition period. PASI is available to assist with any hardship needs and/or questions that might arise.

** The term "recordkeeper" refers to a mutual fund company or insurance company that provides on-line access to participant accounts and provides a source level accounting that is updated on a daily basis. It does not include investments held in a brokerage account.*

Summary of Rule Changes

It should be noted that in general, these liberalizations/simplifications are not mandatory changes. We do however generally recommend adopting all of these simplifications. If you would like to discuss in further detail, please do not hesitate to call your Plan Consultant.

Elimination of Six-Month Suspension Period

It is no longer a requirement that a participant's payroll deduction 401(k)/403(b) contributions be suspended for six months following a hardship distribution. Participants who are currently under suspension may resume their 401(k) contributions on January 1, 2019 (or the first day of the next Plan Year *if later*).

Hardship Distribution May Include Cumulative Investment Gains on 401(k)

The cumulative investment earnings allocable to payroll deduction 401(k) contributions were previously ineligible for hardship distributions. Under the new law, this cumbersome restriction (which in some cases required decades of payroll records) has been eliminated.

- *Attention 403(b) Plan Sponsors:* In what was likely an oversight on the part of Congress, the cumulative investment gains allocable to payroll deduction *403(b)* contributions are NOT available for hardships. This distinction needlessly disadvantages 403(b) participants as compared to 401(k) participants. It is likely that this will be corrected in subsequent legislation.

Previously Restricted Sources Now Available for Hardship

Current law precludes hardship distributions from various restricted contribution types. Those contribution types included the following: Safe Harbor Non-elective, Safe Harbor Matching, and Qualified Nonelective (QNEC). The new law eliminates these restrictions. Having said that, it should be noted that whether or not this change will affect your Plan depends on your current plan design. Please contact PASI if you would like more information regarding how this change will impact your Plan.

Addition of New Hardship Reason

As of today, the IRS's pre-defined list of hardship reasons includes the following:

- Medical expenses not paid for by insurance on behalf of the participant, a close relative, dependents, or a primary beneficiary
- Costs related to the purchase of a principal residence
- Tuition to a post-secondary institution for a participant, a close relative, a dependent, or a primary beneficiary
- To prevent foreclosure/eviction from the participant's principal residence
- Funeral expenses for a close relative, dependent, or a deceased primary beneficiary
- Repair of principal residence due to "casualty losses" (e.g., flood, fire, storms)
    - During 2018, this hardship reason was limited exclusively to losses within federally declared disaster areas due to a drafting error in a previous law. That restriction has been eliminated.

The new hardship event that has been added relates to federally declared disaster areas. Any losses incurred by a participant as a result of a federally declared disaster are eligible for hardship distributions. These losses appear to be broadly defined *and* include a specific reference to lost income as an eligible "expense." As an example, the following expenses should be allowable under this new provision:

- Weekly wages times the number of weeks during which you are unable to work due to the disaster
- The cost of replacing or repairing your car or boat (provided the damage was the result of the disaster)

Plan Amendments and Participant Notices

If you have adopted a pre-approved Plan sponsored by PASI, LLC (which is the vast majority of our clients), then we will be providing you with the necessary amendment to reflect these rule changes during 2019. As a default, all of the simplifications will be adopted as described above; nevertheless, we are available to discuss customizing the amendment if you are interested in a more in-depth discussion. In addition, we will be providing our document clients with a "Summary of Material Modifications" for distribution to Plan participants; this document will describe these changes to participants. Regardless of the timing of these amendments and disclosures, the PASI team is prepared for these new rules and we are ready to assist you and your participants in the event of a financial hardship should the need arise.

Please call us for assistance!

Special 401(k) / 403(b) Payroll Deduction Form for Bonuses

If your company is giving holiday or other bonuses this year, your 401(k)/403(b) plan may allow Participants to make a special 401(k)/403(b) payroll deduction election that would apply exclusively to that bonus. This means Plan Participants could contribute up to 100% of their bonus without impacting their regular payroll deduction contribution elections. **If you would like to discuss this option with us, please contact your Plan Consultant**. PASI can customize a form for use with your Plan.

Timely 401(k)/403(b) Deposits

The issue of timely 401(k)/403(b) deposits continues to be of the highest priority to the U.S. Department of Labor. In accordance with final regulations regarding deposit deadlines, Plans with less than 100 Participants are required to deposit contributions within **seven (7)** business days from the **paycheck date.**

Plans with more than 100 Participants have generally been held to a higher standard – therefore, we recommend that these larger plans deposit contributions **as soon as possible** after the paycheck date.

If you have any questions regarding your deposit requirements, please contact your Plan Consultant.

Employee Census Data

If your Plan Year ends on December 31st, your Plan Consultant will be reaching out to you for important census data in the coming weeks. Feel free to contact your Plan Consultant at any time if you are prepared to supply us with this data, but have not yet received our formal request.

Fidelity Bonding Requirements

Federal law (i.e. ERISA) generally requires that qualified retirement plans must be protected by a fidelity bond. A fidelity bond protects the Plan's assets from losses due to fraud or dishonesty by any individual handling funds or other property of the Plan (e.g. Trustees). PASI requests a copy of your fidelity bond to review it for compliance each year.

PASI also recommends obtaining a policy that automatically increases the bond amount to the level necessary to comply with ERISA ("inflation guard"). Otherwise, you should ensure that the fidelity bond provides coverage of no less than 10% of the Plan's assets. Regardless, the bond amount can never be less than $1,000. A bond is not *required* to be more than $500,000 (except in the case of a Plan holding stock of the plan sponsor). Many plan sponsors choose to obtain coverage well in excess of $500,000 based on consultations with their insurance agents.

For more information on the fidelity bonding requirements, or to check your fidelity bond status, **please contact your Plan Consultant**.